The Myth of Health Insurance

"Health Insurance" Is Really a Statist System of Cost-Shifting

By Thomas Szasz

Forty million Americans are said to have no health insurance. Those who do have health insurance are frustrated by having to pay ever-increasing premiums for steadily diminishing medical services. Conventional wisdom tells us that we are facing a "health insurance crisis."

It is important to recognize that what we call "health insurance" has little to do with health and nothing to do with insurance. We do not face a "health insurance crisis." We face the consequences of a set of economic and social problems rooted in a futile effort to make the distribution of health care—unlike the distribution of virtually every other good and service in our society—egalitarian.

The typical contractor of homeowner's insurance is the homeowner. He buys insurance to protect himself from costly loss caused by events outside his control, such as fire, not to defray the recurring expense of maintaining it. The ideal outcome for both the buyer and the seller of home and automobile insurance is for the policyholder to never make use of his policy.

The typical contractor of health insurance is not the insured person but his employer. Neither party is free to negotiate the terms of the policy. The employee cannot bargain for a lower premium in exchange for a high deductible or for choosing to be not covered for alcoholism or schizophrenia. The employer is not free to decline coverage for state-mandated medical services. In New York State, for example, the Women's Wellness Act mandates group health-insurance plans to cover contraceptives including abortifacients, and the Infertility Coverage Act mandates that they cover infertility treatments, including selective fetal reduction (abortion of multiple fetuses conceived by artificial means).

The economic survival of an insurance company depends in large part on collecting more in premiums than it pays out in claims. To bring about that outcome the insurer employs certain methods, some complicated, some very simple. Although embarrassingly obvious, some of these simple measures need to be mentioned because they are absent from what we mislabel "health insurance." For example, a person cannot buy a policy to protect himself from a loss caused by his own actions, such as burning down his own home. But so-called health insurance protects the individual from the medical consequences of his own actions, for example, injuring himself by smashing his car while drunk. Not surprisingly, all the participants in the complex scheme we call "health insurance" are unhappy with the result.

In the case of genuine insurance, there is a direct relationship between the dollar value of the protection purchased and its cost to the insured. The premium for a life-insurance policy with a face value of $100,000 is less than for a policy for a multiple of that amount. In health insurance no such relationship exists between premium paid and compensation received. Moreover, the health-insurance company, acting on its own behalf, can write a contract with a "cap" on claims, that is, for the maximum amount it will pay the insured, regardless of the health-care cost he incurs. The insured person, who typically does not act on his own behalf but is "provided" insurance as an important part of his job benefit, has no reciprocal options.

The sole rational purpose of true insurance is to protect the insured from an unanticipated economic loss so large as to jeopardize his economic well-being. No one sells or buys insurance to cover the cost of maintaining his property. Home insurance does not pay for plumbing repairs; automobile insurance does not pay for replacing worn-out windshield wipers. Yet people demand precisely this kind of reimbursement from so-called health insurance.

"Health Insurance": The Illusion of Equality

If health insurance is not insurance, what is it? It is a modern version of the illusion that all men are equal—or, when ill, ought to be treated as if they were equal. When religion was the dominant ideology, death was (supposed to be) the great equalizer: once they departed the living, prince and pauper were equal. Today, when medicine is the dominant ideology, health care is (supposed to be) the great equalizer: everyone's life is "infinitely precious" and hence deserves the same protection from disease. Of course, prince and pauper did not receive the same burial services, and rich and poor do not receive the same medical services. But people prefer the illusion of equality to the recognition of inequality.

Actually, the ruled have always longed for "universal health care," and the rulers have always supplied them with a policy that the masses accepted as such a service. In the Middle Ages, universal health care was called Catholicism. In the twentieth century, it was called Communism. In the 21st century, it is called Universal Health Insurance. What we choose to call "health insurance" is, in fact, a system of cost-shifting masquerading as a system of insurance. We treat a *public, statist political system of health care as if it were a system of private health insurance purchased for the purpose of obtaining private medical care.*

Everyone knows but no one admits that health insurance is not really insurance. In fact, Americans now view their health insurance as an open-ended entitlement for reimbursement for virtually any expense that may be categorized as "health care," such as the cost of birth-control pills or Viagra. The cost of these services is covered on the same basis as the cost of medical catastrophes, such as treatment for the consequences of a brain tumor. Such distorted incentives produce the perverted outcomes with which we are all too familiar.

From a public-health point of view, the state of our health is partly, and often largely, in our own hands and is our own responsibility, even if we have a chronic illness, such as arthritis or diabetes. It is an immoral and impractical endeavor to try to reject that responsibility and place the burden for the consequences on others.

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